

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



POWER ROOT BERHAD
(Company No. 733268-U)
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE**

- (I) **PROPOSED BONUS ISSUE OF UP TO 71,236,337 NEW ORDINARY SHARES IN POWER ROOT BERHAD (“POWER ROOT SHARES”) (“BONUS SHARES”) ON THE BASIS OF 1 BONUS SHARE FOR EVERY 5 EXISTING POWER ROOT SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“ENTITLEMENT DATE”); AND**
- (II) **PROPOSED ISSUE OF UP TO 71,236,337 FREE WARRANTS IN POWER ROOT BERHAD (“WARRANTS”) ON THE BASIS OF 1 WARRANT FOR EVERY 5 EXISTING POWER ROOT SHARES HELD ON THE ENTITLEMENT DATE**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



RHB Investment Bank Berhad
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting (“EGM”) of Power Root Berhad (“Power Root” or “Company”) to be held at No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Darul Takzim, on Friday, 29 June 2018 at 10.30 a.m. or at any adjournment thereof, together with the accompanying Form of Proxy are enclosed herewith.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his/her behalf.

The Form of Proxy should be completed and lodged at the Registered Office of the Company at 31-04, Level 31, Menara Landmark, No. 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim, not less than 48 hours before the time set for holding the EGM, as indicated below, or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy..... : Wednesday, 27 June 2018 at 10.30 a.m.

Date and time of the EGM : Friday, 29 June 2018 at 10.30 a.m.

This Circular is dated 14 June 2018

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016
Additional ESOS Options	:	Up to 5,168,500 additional ESOS Options to be issued pursuant to the adjustments made in accordance with the provisions of the By-Laws as a result of the Proposed Bonus Issue of Shares
Board	:	Board of Directors of Power Root
Bonus Shares	:	Up to 71,236,337 new Power Root Shares to be issued pursuant to the Proposed Bonus Issue of Shares
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	The rules, terms and conditions of the ESOS Options dated 23 July 2012
Circular	:	This circular to Shareholders dated 14 June 2018 in relation to the Proposals
CMSA	:	Capital Market and Services Act 2007
Deed Poll	:	The deed poll constituting the Warrants to be executed by the Company
Directors	:	The directors of Power Root and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
EGM	:	Extraordinary general meeting
Entitled Shareholders	:	Shareholders whose names appear in the Record of Depositors of Power Root at the close of business on the Entitlement Date
Entitlement Date	:	5.00 p.m. on a date to be determined and announced later by the Board on which Shareholders must be registered in the Record of Depositors of Power Root in order to be entitled to the Proposals
EPS	:	Earnings per Share
ESOS	:	Power Root's existing employees' share options scheme
ESOS Grantee	:	An eligible person who has accepted the ESOS Options
ESOS Options	:	The employees' share options under the ESOS
FYE	:	The financial year ended/ending 31 March, as the case maybe
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	21 May 2018, being the latest practicable date prior to the printing of this Circular

DEFINITIONS (CONT'D)

Maximum Scenario	:	Assuming that all the Treasury Shares are resold in the open market and all the Outstanding ESOS Options are exercised into 25,842,500 new Power Root Shares prior to the implementation of the Proposals
Minimum Scenario	:	Assuming that none of the Treasury Shares are resold and none of the Outstanding ESOS Options are exercised into new Power Root Shares prior to the implementation of the Proposals
NA	:	Net assets
Outstanding ESOS Options	:	25,842,500 Outstanding ESOS Options as at the LPD which have been granted and have yet to be exercised
PAT	:	Profit after tax
Power Root or Company	:	Power Root Berhad
Power Root Group or Group	:	Power Root and its subsidiaries, collectively
Power Root Shares or Shares	:	Ordinary shares in Power Root
Proposals	:	The Proposed Bonus Issue of Shares and Proposed Free Warrants Issue, collectively
Proposed Bonus Issue of Shares	:	Proposed bonus issue of up to 71,236,337 new Power Root Shares on the basis of 1 Bonus Share for every 5 existing Power Root Shares held on the Entitlement Date
Proposed Free Warrants Issue	:	Proposed issue of up to 71,236,337 free Warrants on the basis of 1 Warrant for every 5 existing Power Root Shares held on the Entitlement Date
Record of Depositors	:	The record of depositors maintained by Bursa Depository under the Rules of Bursa Depository
RHB Investment Bank	:	RHB Investment Bank Berhad
RM and sen	:	Ringgit Malaysia and sen, respectively
Shareholders	:	Shareholders of Power Root
Treasury Shares	:	Treasury shares held by Power Root as at the LPD
VWAP	:	Volume weighted average market price
Warrants	:	Up to 71,236,337 free warrants in Power Root to be issued pursuant to the Proposed Free Warrants Issue

DEFINITIONS (CONT'D)

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and/or neuter genders and vice versa. References to persons shall include corporations.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company plans and objectives will be achieved.

All references to “**you**” or “**your**” in this Circular are to the Shareholders.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

	PAGE
LETTER TO THE SHAREHOLDERS	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS	8
4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS	8
5. EFFECTS OF THE PROPOSALS	10
6. ADJUSTMENTS TO THE OUTSTANDING ESOS OPTIONS	17
7. HISTORICAL SHARE PRICES	19
8. APPROVALS REQUIRED	19
9. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	20
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	20
11. DIRECTORS' STATEMENT AND RECOMMENDATION	20
12. ESTIMATED TIMEFRAME FOR COMPLETION	21
13. EGM	21
14. FURTHER INFORMATION	21
APPENDIX	
I. FURTHER INFORMATION	22
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED



POWER ROOT BERHAD
(Company No. 733268-U)
(Incorporated in Malaysia)

Registered Office

31-04, Level 31
Menara Landmark
No. 12 Jalan Ngee Heng
80000 Johor Bahru
Johor Darul Takzim

14 June 2018

Board of Directors

Dato' Afifuddin bin Abdul Kadir (Independent Non-Executive Chairman)
Dato' Low Chee Yen (Executive Deputy Chairman)
Wong Tak Keong (Managing Director)
Dato' How Say Swee (Executive Director)
Dato' Wong Fuei Boon (Executive Director)
See Thuan Po (Executive Director)
Ong Kheng Swee (Independent Non-Executive Director)
Azahar bin Baharudin (Independent Non-Executive Director)
Dato' Tea Choo Keng (Alternate Director to Dato' Afifuddin bin Abdul Kadir)

To: The Shareholders of Power Root Berhad

Dear Sir/Madam,

- (I) PROPOSED BONUS ISSUE OF SHARES; AND**
- (II) PROPOSED FREE WARRANTS ISSUE**

1. INTRODUCTION

On 25 May 2018, RHB Investment Bank had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

On 31 May 2018, RHB Investment Bank had, on behalf of the Board, announced that the listing application in relation to the Proposals had been submitted to Bursa Securities.

On 12 June 2018, RHB Investment Bank had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 11 June 2018, approved the following on the Main Market of Bursa Securities:

- (i) listing of and quotation for up to 71,236,337 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
- (ii) admission to the Official List of the Main Market of Bursa Securities and listing of and quotation for up to 71,236,337 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and

- (iii) listing of and quotation for up to 71,236,337 new Power Root Shares to be issued arising from the exercise of the Warrants,

subject to the conditions as set out in **Section 8** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Bonus Issue of Shares

2.1.1 Basis and number of Bonus Issue

The Proposed Bonus Issue of Shares entails the issuance of up to 71,236,337 Bonus Shares on the basis of 1 Bonus Share for every 5 existing Power Root Shares held by the Entitled Shareholders.

The basis of the Proposed Bonus Issue of Shares of 1 Bonus Share for every 5 existing Power Root Shares was arrived at after taking into consideration the potential adjustments to the share price of Power Root Shares arising from the Proposed Bonus Issue of Shares.

As at the LPD:

- (i) the issued share capital of Power Root is RM215,619,251 comprising 330,339,185 Power Root Shares;
- (ii) there are 6,711,700 Treasury Shares held by the Company; and
- (iii) there are 25,842,500 Outstanding ESOS Options.

The actual number of Bonus Shares to be issued will depend on the number of Power Root Shares in issue (less the number of Treasury Shares held by the Company) on the Entitlement Date.

Fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company and the Shareholders.

The Proposed Bonus Issue of Shares will be implemented concurrently with the Proposed Free Warrants Issue. The Proposed Bonus Issue of Shares is not intended to be implemented in stages over a period of time.

For illustration purposes, based on the 5-day VWAP of Power Root Shares up to and including the LPD of RM1.6782, the theoretical ex-bonus share price of Power Root Shares is RM1.3985. Further, the Board confirms that the share price adjusted for the Proposed Bonus Issue of Shares is not less than RM0.50 based on the daily VWAP during the past 3-month period up to the LPD in accordance with Paragraph 6.30(1A) of the Listing Requirements.

2.1.2 No capitalisation of reserves

The Bonus Shares in respect of the Proposed Bonus Issue of Shares will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

For the avoidance of doubt, the Proposed Bonus Issue of Shares will increase the number of Power Root Shares but will not increase the value of share capital of Power Root.

The Act came into effect on 31 January 2017 and replaced the Companies Act 1965. Under the par value regime pursuant to the Companies Act 1965, a company's share premium account or a capital reserve account may be applied for the issuance of bonus shares.

The Act has introduced a no par value regime where all shares issued shall have no par value. Consequently, a company will no longer be required to maintain a share premium account and/or a capital redemption reserve. Hence, a bonus issue can now be carried out either by:

- (i) capitalising the share premium account or capital redemption reserve of a company (during the 24 months transitional period as stipulated under the Act); or
- (ii) issuing bonus shares as fully paid, at nil consideration and without capitalisation of the company's reserves.

The Company and RHB Investment Bank confirm that the implementation of the Proposed Bonus Issue of Shares is and will be in compliance with the Act.

2.1.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing Power Root Shares at the date of allotment of the Bonus Shares, save and except that the Bonus Shares will not be entitled to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of the Bonus Shares.

2.1.4 Listing of and quotation for the Bonus Shares

Bursa Securities had vide its letter dated 11 June 2018, approved the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 8** of this Circular.

2.2 Details of the Proposed Free Warrants Issue

2.2.1 Basis and number of Warrants

The Proposed Free Warrants Issue entails the issuance of up to 71,236,337 Warrants on the basis of 1 Warrant for every 5 existing Power Root Shares held by the Entitled Shareholders on the same Entitlement Date as the Proposed Bonus Issue of Shares. For the avoidance of doubt, the Bonus Shares are not entitled to the Warrants.

The basis of the Proposed Free Warrants Issue of 1 Warrant for every 5 existing Power Root Shares was arrived at after taking into consideration the potential dilution to the consolidated EPS of the Group vis-à-vis the future earnings and prospects of the Group.

The actual number of Warrants to be issued will depend on the number of Power Root Shares in issue (less the number of Treasury Shares held by the Company) on the Entitlement Date.

Fractional entitlements arising from the Proposed Free Warrants Issue, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company and the Shareholders.

The Proposed Free Warrants Issue will be implemented concurrently with the Proposed Bonus Issue of Shares. The Proposed Free Warrants Issue is not intended to be implemented in stages over a period of time.

The Warrants will be issued in registered form and constituted by the Deed Poll.

2.2.2 Basis of determining and justification for the issue price and exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants will be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date after taking into consideration the following:

- (i) the theoretical ex-bonus price of Power Root Shares based on the 5-day VWAP of Power Root Shares before the price-fixing date; and
- (ii) a premium of between 5% to 10% over the theoretical ex-bonus price of Power Root Shares based on the 5-day VWAP of Power Root Shares before the price-fixing date, which will provide the Company the flexibility to ascertain the potential proceeds from the exercise of the Warrants towards meeting the future funding requirements of the Power Root Group for the next 5 years.

For illustration purpose, the indicative exercise price of the Warrants is assumed to be at RM1.4685, being a premium of approximately 5% over the theoretical ex-bonus price of RM1.3985 calculated based on the 5-day VWAP of Power Root Shares up to and including the LPD of RM1.6782.

2.2.3 Ranking of the Warrants and new Power Root Shares to be issued arising from the exercise of the Warrants

The new Power Root Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing Power Root Shares at the date of allotment of the new Power Root Shares, save and except that the new Power Root Shares to be issued arising from the exercise of the Warrants will not be entitled to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of such new Power Root Shares.

2.2.4 Listing of and quotation for the Warrants and new Power Root Shares to be issued arising from the exercise of the Warrants

Bursa Securities had vide its letter dated 11 June 2018, approved the admission of the Warrants to the Official List of the Main Market of Bursa Securities, the listing of and quotation for the Warrants as well as the listing of and quotation for the new Power Root Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 8** of this Circular.

2.2.5 Indicative salient terms of the Warrants

Issue size	:	Up to 71,236,337 Warrants
Form and denomination	:	The Warrants will be issued in registered form and constituted by the Deed Poll
Tenure	:	5 years from and inclusive of the date of issuance of the Warrants
Exercise rights	:	Each Warrant entitles the holders, at any time during the exercise period, to subscribe for 1 new Power Root Share at the exercise price
Exercise period	:	The period commencing on and including the date of issuance of the Warrants and ending at the close of business at 5.00 p.m. on the expiry of the tenure. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid
Exercise price	:	The exercise price of the Warrants will be determined by the Board and announced at a later date, after taking into consideration a premium of between 5% to 10% over the theoretical ex-bonus price of Power Root Shares based on the 5-day VWAP of Power Root Shares before the price-fixing date
Mode of exercise	:	The Warrant holder is required to lodge an exercise form to be set out in the Deed Poll with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price by banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia

- Participating rights of the Warrant holders : The Warrants do not entitle the Warrant holders to any voting rights or to participate in any distribution and/or offer of securities in the Company until and unless the Warrants holders exercise their Warrants into new Power Root Shares
- Adjustments in the exercise price and/or the number of Warrants : The exercise price and/or number of Warrants may be adjusted under certain circumstances in accordance with the provisions of the Deed Poll
- Rights in the event of winding up, compromise or arrangement : As long as any of the exercise rights remain exercisable, if a resolution has been passed for a members' voluntary winding up or where there is a compromise or arrangement for the purpose of or in connection with a scheme of arrangement between the Company and the Shareholders and/or creditors, then:
- (i) if such winding up or scheme of arrangement is one in which the Warrant holders, or some person designated by them for such purpose by special resolution, are to be a party, the terms of such winding up or scheme of arrangement are binding on all the Warrant holders;
 - (ii) in a voluntary winding up or compromise or arrangement in any other case, every Warrant holder is entitled upon and subject to the conditions in the Deed Poll at any time, within 6 weeks after the passing of such resolution for a members voluntary winding-up of the Company or within 6 weeks from the last approval being granted for the compromise or arrangement, by irrevocable surrender of his Warrants to the Company by submitting the exercise forms duly completed, authorising the debiting of his Warrants, together with payment of the relevant exercise price to elect, to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the exercise rights represented by such Warrants to the extent specified in the exercise forms and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company or the Company, as the case may be, must give effect to such election accordingly; and
 - (iii) all exercise rights, which have not been exercised within the above 6 weeks, shall lapse and the Warrants will cease to be valid for any purpose

- Modification of rights of the Warrant holders : Subject to the approval of Bursa Securities and/or any other relevant authority, any modification, amendment or addition to the Deed Poll must be:
- (i) effected by a deed poll;
 - (ii) executed by the Company and expressed to be supplemental; and
 - (iii) comply with the provisions of the Deed Poll
- Notice of every modification, amendment or addition to the Deed Poll is to be given to the Warrant holders within 21 days from the date of such modification, amendment or addition or such other time period as may be prescribed by Bursa Securities or such other relevant authorities from time to time in accordance with the provisions of the Deed Poll
- Transferability : The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository
- Board lot : For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Power Root Shares at any time during the exercise period, or such other denomination as may be varied from time to time by Bursa Securities
- Listing status : The Warrants will be listed and quoted on the Main Market of Bursa Securities
- Governing law : The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia

2.2.6 Utilisation of proceeds

The Proposed Free Warrants Issue will not raise any immediate funds for the Company as the Warrants will be issued at no cost to the Entitled Shareholders.

The gross proceeds to be raised by the Company from the exercise of the Warrants is dependent on the exercise price of the Warrants and the total number of Warrants exercised during the tenure of the Warrants. As such, the exact timeframe for the utilisation of the proceeds cannot be determined at this juncture.

For illustration purposes, assuming the full exercise of the Warrants at the indicative exercise price of RM1.4685 per Warrant, and full exercise of the Warrants, the gross proceeds to be raised by the Company based on the Minimum Scenario and Maximum Scenario are as follows:

	Minimum Scenario	Maximum Scenario
No. of new Shares to be issued arising from the exercise of the Warrants	64,725,497	71,236,337
Gross proceeds (RM)	95,049,392	104,610,561

Such proceeds to be raised, as and when the Warrants are exercised, will be utilised for capital expenditure and/or working capital of the Group which may include repayment of bank borrowings, payment of trade and other payables, employee costs, marketing and administrative expenses. The proceeds to be utilised for each component of working capital are subject to the Group's operating requirements at the time of utilisation and therefore cannot be determined at this juncture.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

The Proposed Bonus Issue of Shares provides the Shareholders with greater participation in the equity of the Company in terms of number of shares held and maintaining their percentage equity interest. In addition, the Proposed Bonus Issue of Shares will possibly be able to encourage trading liquidity of Power Root Shares on Bursa Securities.

Furthermore, the Board is of the view that the Proposed Free Warrants Issue provides an opportunity to the Shareholders to further increase their equity participation in the Company by exercising the Warrants at a pre-determined price over the tenure of the Warrants. The proceeds to be raised by the Company, as and when the Warrants are exercised, is expected to strengthen the Company's capital base and provide the Group with additional working capital.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded strongly by 5.9% during the fourth quarter of 2017 (Q4 2016: 4.5%). Growth was supported by domestic demand, particularly private sector spending. On the supply side, all sectors registered a positive growth except mining and quarrying. For the year, the economy grew 5.9% (2016: 4.2%), surpassing the earlier estimation of 5.2% – 5.7%.

Private sector expenditure accelerated 7.4%, contributing 4.8 percentage points to the total GDP growth (Q4 2016: 5.9%; 3.7 percentage points). Meanwhile, public sector expenditure rebounded 3.4% (Q4 2016: -2.6%). With expenditure by both sectors recording significant growth, domestic demand continued to rally further by 6.2% (Q4 2016: 3.2%).

Private consumption increased 7% (Q4 2016: 6.1%) supported by steady employment and wage growth. Key segments which recorded higher consumer spending were communication (10.2%); restaurants and hotels (8.1%); and food and non-alcoholic beverages (7.4%). The strong performance was also reflected in major consumption indicators such as food sales (9.3%); disbursements of consumption credit (8%); and imports of consumption goods (4.7%). The Malaysian Institute of Economic Research's Consumer Sentiments Index edged up to 82.6 points during the quarter (Q4 2016: 69.8 points), supported by households' improved outlook on the domestic economy.

The Malaysian economy is expected to sustain a steady growth momentum, ranging between 5% – 5.5% in 2018. The growth will be underpinned by strong domestic demand, particularly private sector spending coupled with the favourable external sector. On the supply side, growth is anticipated to be broad-based led by services and manufacturing sectors. Inflation is expected to be manageable while the labour market to remain stable.

(Source: Quarterly Update on the Malaysian Economy – 4th Quarter 2017, Ministry of Finance, Malaysia)

4.2 Overview and outlook of the food and beverages industry in Malaysia

The services sector is projected to expand at a faster rate, reflecting stronger expansion across most subsectors particularly wholesale and retail trade, information and communication, as well as food and beverages and accommodation.

Value added of services sector increased further by 6.1% during the first half of 2017 (January – June 2016: 5.4%) mainly driven by strong domestic consumption activities. In 2017, the sector is expected to record 5.9% growth, accounting for 54.5% of GDP (2015: 5.6%; 54.3%). The final services group is projected to sustain at 6% (2016: 6%) led by the wholesale and retail trade as well as the food and beverages and accommodation subsectors.

The wholesale segment grew 5.8% (January – June 2016: 8.4%) led by other specialised wholesale (9.7%), households goods (5.2%) as well as food, beverages and tobacco which rose 9.2% (January – June 2016: 3.4%; 6.6%; 8.1%).

Manufacture of food products rose 11.2%, largely attributed to a significant increase in refined palm oil at 26.1% (January – August 2016: 6.3%; -3.3%), following higher production of CPO. Meanwhile, output of other food products grew 7% supported by production of bread, cakes and other bakery (15.6%) as well as biscuits and cookies (12%) to meet the rising demand from households (January – August 2016: 11.1%; 19.2%; 19.1%).

(Source: Economic Report 2017/2018, Ministry of Finance, Malaysia)

4.3 Overview and prospects of the Power Root Group

Power Root is an investment holding company, whereas the Power Root Group manufactures and distributes beverage products in Malaysia and in 43 other countries. The Power Root Group offers coffee under the Alicafe, Per'l, and Ah Huat White Coffee brands, instant premixed tea under the brand name of Alitea, cocoa beverages under the Oligo, Per'l Choco, and Ah Huat Coco brand names, and canned energy drinks under the Power Root Extra name.

Despite the resilient outlook of the Malaysian economy, the management is of the view that Malaysia's domestic coffee market is relatively matured and saturated with competition.

For the FYE 2018, the Group recorded revenue of RM424.58 million, representing an increase of approximately 6.33% from the revenue of RM399.30 million recorded for the FYE 2017. The increase was attributable to the increase in contributions from the export markets.

The Group recorded a PAT of approximately RM10.06 million for the FYE 2018, as compared to RM47.22 million for the FYE 2017, representing a decrease of approximately 78.70%. The decrease in PAT was mainly due to:

- (i) reduction in gross profit of the Group from RM192.13 million for the FYE 2017 to RM174.34 million for the FYE 2018, which is primarily attributable to the following:
 - (a) more festive promotional sales and appreciation of RM against United State Dollar in FYE 2018; and
 - (b) writing down of inventories of RM2.81 million for the FYE 2018 compared to a reversal of inventories written down of RM0.99 million for the FYE 2017;

- (ii) impairment loss on trade and other receivables of RM1.08 million for the FYE 2018 compared to a reversal of impairment loss on trade and other receivables of RM0.49 million for the FYE 2017;
- (iii) impairment loss on property, plant and equipment of RM2.31 million for the FYE 2018; and
- (iv) loss on foreign exchange of RM5.02 million for the FYE 2018 compared to a gain of RM7.98 million for the FYE 2017.

Moving forward, the Power Root Group will focus on improving its profit margins by increasing its operational efficiencies and implementing cost management activities with the view of maintaining its competitive edge in this challenging operating market, particularly in Malaysia.

The Group also intends to expand its export market by increasing the sales to its existing overseas markets as well as developing new overseas markets. To achieve this, the Group will develop new products and strengthen its overseas distribution networks.

The management is cautiously optimistic of the overall business performance of the Group for the FYE 2019 and will endeavour to achieve its revenue and profit growth target.

(Source: Management of the Power Root Group)

5. EFFECTS OF THE PROPOSALS

5.1 Issued share capital

For illustration purposes, the proforma effects of the Proposals on the share capital of Power Root are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Share capital as at the LPD	330,339	215,619	330,339	215,619
Less: Treasury Shares	(6,712)	-	-	-
	323,627	215,619	330,339	215,619
To be issued arising from full exercise of the Outstanding ESOS Options	-	-	25,843	24,848
To be transferred from the share option reserve upon full exercise of the Outstanding ESOS Options	-	-	-	2,917
	323,627	215,619	356,182	⁽²⁾ 243,385
To be issued pursuant to the Proposed Bonus Issue of Shares	64,725	-	71,236	-
	388,352	215,619	427,418	243,385
To be issued arising from the full exercise of the Warrants	64,725	⁽¹⁾ 95,049	71,236	⁽¹⁾ 104,611
Enlarged share capital	⁽²⁾ 453,078	310,668	498,654	347,996

Notes:

(1) Assuming the exercise price of the Warrants is RM1.4685.

(2) Does not add up due to rounding.

5.2

NA per Share and gearing

For illustration purposes, based on the latest audited consolidated financial statements of Power Root as at 31 March 2017, the proforma effects of the Proposals on the NA per Share and gearing of the Group are as follows:

Group level	Audited as at 31 March 2017 RM'000	Minimum Scenario		Maximum Scenario			
		⁽¹⁾ After adjustment for subsequent events RM'000	(I)	(II)	(I)	(II)	(III)
			After completion of the Proposed Bonus Issue of Shares RM'000	After (I) and assuming full exercise of the Warrants RM'000	Assuming that the Treasury Shares are resold and the Outstanding ESOS Options are exercised RM'000	After (I) and the Proposed Bonus Issue of Shares RM'000	After (II) and assuming full exercise of the Warrants RM'000
Share capital	214,815	⁽²⁾ 215,619	215,619	⁽⁸⁾ 243,385	243,385	347,996	
Treasury Shares	(10,149)	(11,189)	(11,189)	⁽⁷⁾ -	-	-	
Share option reserve	2,431	⁽²⁾ 2,917	2,917	⁽⁶⁾ -	-	-	
Exchange fluctuation reserve	2,536	1,608	1,608	1,608	1,608	1,608	
Fair value reserve	(9)	(15)	(15)	(15)	(15)	(15)	
Retained earnings	41,302	⁽³⁾ 50	⁽⁶⁾ (150)	50	⁽⁶⁾ (150)	(150)	
Shareholders' equity / NA	250,926	208,990	208,790	245,028	244,828	349,439	
No. of Shares in issue ('000)	⁽⁴⁾ 323,415	⁽⁵⁾ 323,627	388,352	⁽⁹⁾ 356,182	427,418	498,654	
NA per Share (RM)	0.78	0.65	0.54	0.69	0.57	0.70	
Total borrowings (RM'000)	12,062	31,980	31,980	31,980	31,980	31,980	
Gearing (times)	0.05	0.15	0.15	0.13	0.13	0.09	

Notes:

- (1) Based on the unaudited results for the FYE 2018 and after taking into consideration the adjustments set out in Note (2) below.
- (2) After taking into consideration the following:
- (i) The exercise of ESOS Options from 1 April 2018 up to the LPD; and
- (ii) The transfer of share option reserve upon the exercise of ESOS Options from 1 April 2018 up to the LPD.
- (3) The movement in retained earnings is set out below:

	RM'000
Audited retained earnings as at 31 March 2017	41,302
Add:	
Unaudited consolidated PAT attributable to the owners of the Company for the FYE 2018	9,436
Less:	
(i) Premium paid for acquisition of additional equity interest in a subsidiary charged to retained earnings *	(8,634)
(ii) Total dividend paid to the Shareholders between 1 April 2017 to 31 March 2018	(42,054)
Unaudited retained earnings as at 31 March 2018	50

Note:

- * On 1 August 2017, the Company entered into a share sale agreement with Chay Hock Chang for the acquisition of an additional 6% equity interest in Power Root ME FZCO, an existing 91%-owned subsidiary company of Power Root. The acquisition was completed on 17 September 2017. The premium paid for this acquisition is charged to retained earnings of the Group.
- (4) Being 329,597,185 Power Root Shares in issue after excluding 6,181,700 Treasury Shares.
- (5) Being 330,339,185 Power Root Shares in issue after excluding 6,711,700 Treasury Shares.
- (6) After deducting the estimated expenses in relation to the Proposals amounting to RM200,000.
- (7) Assuming that all 6,711,700 Treasury Shares are resold in the open market at their respective acquisition prices before the Entitlement Date and there are no transaction costs relating to the disposal of the Treasury Shares. Hence there is no gain or loss from the disposal of all the Treasury Shares.
- (8) After taking into consideration the following:
- (i) Assuming all the Outstanding ESOS Options are exercised; and
- (ii) The transfer of share option reserve upon the exercise of all the Outstanding ESOS Options.
- (9) Being 330,339,185 Power Root Shares in issue and 25,842,500 Shares arising from exercise of the Outstanding ESOS Options.

5.3 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of the Group for the FYE 2019, save for the dilution in the EPS of the Group as a result of the increase in the number of Power Root Shares in issue pursuant to the Proposed Bonus Issue of Shares, and as and when the Warrants are exercised into new Power Root Shares.

The potential effects of the exercise of the Warrants on the future earnings and EPS of the Group will depend upon, among others, the number of Warrants exercised at any point in time and the returns generated by the Group from the utilisation of proceeds raised from the exercise of the Warrants.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5.4

Substantial Shareholders' shareholdings

The Proposed Bonus Issue of Shares will not have any effect on the percentage shareholding of the substantial Shareholders as the Bonus Shares will be allotted on a pro-rata basis to all the Shareholders. However, the number of Power Root Shares held by the substantial Shareholders will increase proportionately pursuant to the Proposed Bonus Issue of Shares.

The Proposed Free Warrants Issue will not have any effect on the percentage shareholding of the substantial Shareholders assuming all Entitled Shareholders exercise their respective Warrants during the exercise period of the Warrants. The number of Power Root Shares held by the substantial Shareholders will increase proportionately arising from the exercise of the Warrants into new Power Root Shares.

For illustration purposes, the proforma effects of the Proposals on the substantial Shareholders' shareholdings of Power Root are as follows:

Minimum Scenario

Substantial Shareholders	As at the LPD				Proforma I				Proforma II			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	(¹)%	No. of Shares	(¹)%	No. of Shares	(²)%	No. of Shares	(²)%	No. of Shares	(³)%	No. of Shares	(³)%
Dato' Low Chee Yen	49,889,930	15.42	⁽⁴⁾ 5,390,000	1.67	59,867,916	15.42	6,468,000	1.67	69,845,902	15.42	7,546,000	1.67
Dato' How Say Swee	65,756,030	20.32	-	-	78,907,236	20.32	-	-	92,058,442	20.32	-	-
Dato' Wong Fuei Boon	61,022,630	18.86	⁽⁵⁾ 5,000,000	1.54	73,227,156	18.86	6,000,000	1.54	85,431,682	18.86	7,000,000	1.54
Wong Tak Keong	27,424,500	8.47	⁽⁶⁾ 3,959,000	1.22	32,909,400	8.47	4,750,800	1.22	38,394,300	8.47	5,542,600	1.22

Notes:

- (1) Based on 323,627,485 Power Root Shares (being 330,339,185 Power Root Shares in issue excluding 6,711,700 Treasury Shares).
- (2) Based on 388,352,982 Power Root Shares.
- (3) Based on 453,078,479 Power Root Shares.
- (4) Deemed interested by virtue of his spouse, Datin Pau Choon Mei, pursuant to Section 138 of the Act.
- (5) Deemed interested by virtue of his spouse, Datin Wong Boon Fong, pursuant to Section 138 of the Act.
- (6) Deemed interested by virtue of his spouse, Ling Shi Yng, and daughter, Wong Ling Huay, pursuant to Section 138 of the Act.

Maximum Scenario

Substantial Shareholders	As at the LPD				Assuming that the Treasury Shares are resold and the Outstanding ESOS Options are exercised ⁽¹⁾				Proforma I			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(3)%	No. of Shares	(3)%	No. of Shares	(4)%	No. of Shares	(4)%
Dato' Low Chee Yen	49,889,930	15.42	(6)5,390,000	1.67	55,289,930	15.52	6,290,000	1.77	66,347,916	15.52	7,548,000	1.77
Dato' How Say Swee	65,756,030	20.32	-	-	67,556,030	18.97	-	-	81,067,236	18.97	-	-
Dato' Wong Fuei Boon	61,022,630	18.86	(7)5,000,000	1.54	62,822,630	17.64	5,000,000	1.40	75,387,156	17.64	6,000,000	1.40
Wong Tak Keong	27,424,500	8.47	(8)3,959,000	1.22	32,824,500	9.22	3,959,000	1.11	39,389,400	9.22	4,750,800	1.11

Substantial Shareholders	Proforma II			
	After Proforma I and assuming full exercise of Warrants			
	Direct		Indirect	
No. of Shares	(5)%	No. of Shares	(5)%	
Dato' Low Chee Yen	77,405,902	15.52	8,806,000	1.77
Dato' How Say Swee	94,578,442	18.97	-	-
Dato' Wong Fuei Boon	87,951,682	17.64	7,000,000	1.40
Wong Tak Keong	45,954,300	9.22	5,542,600	1.11

Notes:

- (1) *Assuming that all 6,711,700 Treasury Shares are resold in the open market at their respective acquisition prices and all Outstanding ESOS Options are exercised into new Power Root Shares before the Entitlement Date.*
- (2) *Based on 323,627,485 Power Root Shares (being 330,339,185 Power Root Shares in issue excluding 6,711,700 Treasury Shares).*
- (3) *Based on 356,181,685 Power Root Shares (being 330,339,185 Power Root Shares in issue and 25,842,500 Shares arising from exercise of the Outstanding ESOS Options).*
- (4) *Based on 427,418,022 Power Root Shares.*
- (5) *Based on 498,654,359 Power Root Shares.*
- (6) *Deemed interested by virtue of his spouse, Datin Pau Choon Mei, pursuant to Section 138 of the Act.*
- (7) *Deemed interested by virtue of his spouse, Datin Wong Boon Fong, pursuant to Section 138 of the Act.*
- (8) *Deemed interested by virtue of his spouse, Ling Shi Yng, and daughter, Wong Ling Huay, pursuant to Section 138 of the Act.*

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5.5 Convertible securities

As at the LPD, save for the Outstanding ESOS Options, the Company does not have any existing convertible securities.

Consequential to the Proposed Bonus Issue of Shares, the number and exercise price of the granted ESOS Options which have not been exercised prior to the Entitlement Date may be adjusted in accordance with the By-Laws.

Any such adjustment will only be finalised on the Entitlement Date and will be effective on the next market day following the Entitlement Date, and the relevant notification will be despatched to the holders of the ESOS Options at a later date.

The Proposed Free Warrants Issue will not give rise to any adjustments to the number and exercise price of the granted ESOS Options pursuant to the By-Laws.

6. ADJUSTMENTS TO THE OUTSTANDING ESOS OPTIONS

The provisions of the By-Laws provide for an alteration in the capital structure of the Company during the option period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to:

- (i) the number of Options granted to each ESOS Grantee; and/or
- (ii) the option price.

As such, in conjunction with the Proposed Bonus Issue of Shares, adjustments will be made to the number of Outstanding ESOS Options and the ESOS Options' exercise price. The adjustments arising from the Proposed Bonus Issue of Shares in relation to the Outstanding ESOS Options will only be effective from the next market day following the Entitlement Date.

Upon any adjustment being made, the committee appointed to administer the ESOS ("**Option Committee**") shall within 10 market days from the adjustment date give notice in writing to the Grantee or his legal or personal representatives where the Grantee is deceased, of the adjustment and the event giving rise thereto.

The current formula for the adjustments set out in the By-Laws takes into consideration the par value of the shares of the Company. However, effective from 31 January 2017 onwards, all shares issued by a company upon the commencement of the Act shall have no par or nominal value pursuant to Section 74 of the Act.

As the current formula for the adjustments is no longer applicable, the Option Committee has in accordance with the provisions of the By-Laws decided to exercise its discretion to adjust the exercise price of the Outstanding ESOS Options and Additional ESOS Options to be issued pursuant to the Proposals on a different basis, in a manner the ESOS committee deems fair and not prejudicial to the interest of the holders of the Outstanding ESOS Options and the Company. The ESOS committee has revised the formula for the adjustments set out below after taking into consideration:

- (i) the abolishment of par value concept pursuant to the Act; and
- (ii) the outcome of the revised formula being not materially different from the computation derived from the original formula set out in the By-Laws.

The ESOS Grantees of the Additional ESOS Options are not entitled to any voting rights or participation in any forms of distributions and/or offer of further securities in Power Root until and unless such holders of the Additional ESOS Options exercise their Additional ESOS Options into new Power Root Shares.

The new Power Root Shares to be issued arising from the exercise of the Additional ESOS Options will, upon allotment and issuance, rank equally in all respects with the existing Power Root Shares at the date of allotment of the new Power Root Shares, save and except that the new Power Root Shares to be issued arising from the exercise of the Additional ESOS Options will not be entitled to participate in any rights, allotments, dividends and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of such new Power Root Shares.

6.1 Computation of the adjusted exercise price and Additional ESOS Options to be issued pursuant to the Proposed Bonus Issue of Shares

For illustrative purposes, based on the Maximum Scenario, a summary of the adjustments to the Outstanding ESOS Options is as follows:

Adjusted exercise price

$$\begin{aligned} \text{Adjusted exercise price pursuant to the Proposed Bonus Issue of Shares} &= \frac{A}{A + B} \times \text{Existing exercise price} \\ \text{Adjusted exercise price pursuant to the Proposed Bonus Issue of Shares} &= \frac{356,181,685}{356,181,685 + 71,236,337} \times \text{RM0.9615}^{(1)} \\ &= \mathbf{RM0.8012} \end{aligned}$$

Note:

(1) *The average exercise price of the Outstanding ESOS Options of approximately RM0.9615 is used as a basis for illustration purposes.*

Enlarged number of ESOS Options

$$\begin{aligned} \text{Adjusted number of the Outstanding ESOS Options pursuant to the Proposed Bonus Issue of Shares} &= \frac{A + B}{A} \times \text{Number of Outstanding ESOS Options} \\ \text{Adjusted number of the Outstanding ESOS Options pursuant to the Proposed Bonus Issue of Shares} &= \frac{356,181,685 + 71,236,337}{356,181,685} \times 25,842,500 \\ &= \mathbf{31,011,000} \end{aligned}$$

Where:

A : *The aggregate number of issued Shares on the Entitlement Date.*

B : *The aggregate number of new Shares to be issued pursuant to Proposed Bonus Issue of Shares.*

6.2 Summary of the adjustments to the Outstanding ESOS Options

	As at the LPD	After the Proposed Bonus Issue of Shares
Exercise price of the Outstanding ESOS Options	RM0.9615	RM0.8012
Number of Outstanding ESOS Options	25,842,500	31,011,000

7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the Power Root Shares as traded on Bursa Securities for the past 12 months up to and including the LPD are set out in the table below:

	High (RM)	Low (RM)
<u>2017</u>		
May	2.75	2.42
June	2.58	2.35
July	2.39	2.20
August	2.21	1.94
September	2.24	1.98
October	2.16	2.03
November	2.27	1.94
December	2.03	1.82
<u>2018</u>		
January	2.04	1.81
February	1.90	1.63
March	1.66	1.15
April	1.48	1.29
The last transacted price on 24 May 2018 (being the last trading day prior to the announcement of the Proposals)	1.53	
The last transacted price on 21 May 2018 (being the LPD)	1.64	

(Source: Bloomberg)

8. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities for the following which was obtained vide its letter dated 11 June 2018:
 - (a) admission of the Warrants to the Official List of the Main Market of Bursa Securities;
 - (b) initial listing of and quotation for the Warrants on the Main Market of Bursa Securities; and
 - (c) additional listing of and quotation for the Bonus Shares and new Power Root Shares to be issued arising from the exercise of Warrants on the Main Market of Bursa Securities,

subject to the following conditions:

No.	Conditions	Status of compliance
1.	Power Root and RHB Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied
2.	Power Root and RHB Investment Bank to inform Bursa Securities upon the completion of the Proposals;	To be complied
3.	Power Root and RHB Investment Bank to furnish a certified true copy of the resolution passed by shareholders at the EGM for the Proposals;	To be complied
4.	Power Root to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied
5.	If applicable, payment of additional listing fee based on the final issue price together with a copy of the details of the computation of the amount of listing fees payable; and	To be complied
6.	Power Root is required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a) and (b) and 6.35(4) of the Listing Requirements in relation to the Proposed Bonus Issue of Shares.	To be complied

; and

(ii) the Shareholders at the forthcoming EGM.

The Proposals are not inter-conditional upon each other and are not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals which are the subject matter of this Circular, there is no other corporate exercise that has been announced but not yet completed as at the LPD.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major Shareholders and/or persons connected with them has any interest, either direct or indirect, in the Proposals, apart from their respective entitlements as Shareholders pursuant to the Proposals, which are also available to all other Entitled Shareholders.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale as well as the effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company and the Shareholders.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposals are expected to be completed in the third quarter of 2018.

The tentative timetable for the implementation of the Proposals is as follows:

Tentative timing	Events
End June 2018	<ul style="list-style-type: none">▪ EGM for the Proposals▪ Announcement of the Entitlement Date
Mid July 2018	<ul style="list-style-type: none">▪ Entitlement Date▪ Listing of and quotation for the Bonus Shares
End July 2018	<ul style="list-style-type: none">▪ Listing of and quotation for the Warrants▪ Completion of the Proposals

13. EGM

The Company's forthcoming EGM will be held at No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Darul Takzim, on Friday, 29 June 2018 at 10.30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions, with or without any modification, to give effect to the Proposals.

If you are unable to attend and vote in person at the forthcoming EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions stated therein as soon as possible so as to reach the Registered Office of the Company at 31-04, Level 31, Menara Landmark, No. 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

14. FURTHER INFORMATION

You are advised to refer to **Appendix I** set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
POWER ROOT BERHAD

DATO' AFIFUDDIN BIN ABDUL KADIR
Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement contained in this Circular, or other facts the omission of which would make any statement herein false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

RHB Investment Bank, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, save as disclosed below, RHB Investment Bank confirms that it is not aware of any conflict of interest that exists or likely to exist in its capacity as the Adviser to the Company for the Proposals.

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad ("**RHB Banking Group**") form a diversified financial group. RHB Banking Group may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for the Power Root Group, in addition to the role as set out in this Circular.

Furthermore, in the ordinary course of business, RHB Banking Group may at any time offer or provide its services or engage in any transactions (whether on its own account or otherwise) with the Power Root Group and the directors and/or the substantial Shareholders of the Company, hold long or short positions in the securities offered by the Company, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its customers in equity securities of the Company.

RHB Investment Bank as part of the RHB Banking Group is of the opinion that concerns of any potential conflict of interest that exists or is likely to exist in relation to its capacity as the Adviser to the Company for the Proposals is mitigated by the following:

- (i) The Corporate Finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations;
- (ii) RHB Investment Bank is a licensed investment bank and its appointment as the Adviser for the Proposals is in the ordinary course of its business and RHB Investment Bank does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Adviser for the Proposals; and

FURTHER INFORMATION (CONT'D)

- (iii) the conduct of the RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, CMSA and RHB Banking Group's own internal controls which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

3. MATERIAL LITIGATION

Save as disclosed below, the Board confirms that as at the LPD, there are no material litigations, claims or arbitrations, either as plaintiff or defendant, which have a material and/or adverse effect on the financial position or business of the Power Root Group and is not aware of any proceedings, pending or threatened against the Power Root Group or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position of the Power Root Group's business.

Power Root Marketing Sdn Bhd ("**PRM**"), a wholly owned subsidiary of Power Root, commenced civil suits against the following parties:

- (i) Nutri Fresh Dairies Marketing Sdn Bhd and 3 others at the Kuching Session Court vide Civil Suit No. KCH-B52NCvC-11/4-2018 on 6 April 2018 for the recovery of debt amounting to the sum of RM766,012.34. This matter has been fixed for mention on 7 June 2018 pending close of pleading. The Company is of the opinion that PRM has a good chance of recovering the debt claimed; and
- (ii) Teo Hong Tai Sdn Bhd and 3 others at the Kuching Session Court vide Civil Suit No. KCH-B52NCvC-12/4-2018 on 6 April 2018 for the recovery of debt amounting to the sum of RM585,571.91. This matter has been fixed for hearing on 25 June 2018. The Company is of the opinion that PRM has a good chance of recovering the debt claimed.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material commitment

Save as disclosed below, the Board confirms that as at the LPD, there are no other material commitments incurred or known to be incurred by the Group which may have a material impact on the financial results or position of the Group:

Material commitment	RM'000
Property, plant and equipment	
- Contracted but not provided for	6,837

4.2 Contingent Liabilities

The Board confirms that as at the LPD, there are no contingent liabilities incurred or known to be incurred which may, upon becoming enforceable, have a material impact on the financial results or position of the Group.

FURTHER INFORMATION (CONT'D)

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of the Company at 31-04, Level 31, Menara Landmark, No. 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim during normal business hours from Monday to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) the Constitution of Power Root;
- (ii) the audited consolidated financial statements of Power Root for the past 2 FYE 2016 and 2017;
- (iii) the unaudited consolidated financial statements of Power Root for the FYE 2018;
- (iv) the letter of consent and declaration of conflict of interest referred to in **Section 2** above;
- (v) the relevant cause papers in respect of the material litigation referred to in **Section 3** above; and
- (vi) the draft Deed Poll.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--



Power Root Berhad
(Company No. 733268-U)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of Power Root Berhad (“**Power Root**” or “**Company**”) will be held at No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Darul Takzim, on Friday, 29 June 2018 at 10.30 a.m. or at any adjournment thereof, for the purpose of considering, and if thought fit, passing with or without modification, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF UP TO 71,236,337 NEW ORDINARY SHARES IN POWER ROOT (“POWER ROOT SHARES”) (“BONUS SHARES”) ON THE BASIS OF 1 BONUS SHARE FOR EVERY 5 EXISTING POWER ROOT SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“ENTITLEMENT DATE”)

“**THAT** subject to the approval of all relevant authorities or parties, authority be and is hereby given to the Board of Directors of Power Root (“**Board**”) to issue up to 71,236,337 Bonus Shares in the share capital of the Company credited to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on the Entitlement Date on the basis of 1 Bonus Share for every 5 existing Power Root Shares held (“**Proposed Bonus Issue of Shares**”);

THAT subject to the approval of Bursa Malaysia Securities Berhad in respect of the listing of and quotation for up to 71,236,337 Bonus Shares by the Company pursuant to the Proposed Bonus Issue of Shares, authority be and is hereby given to the Board to authorise the allotment and issuance of any additional employees' share options under Power Root's existing employees' share options scheme (“**ESOS**”) to be issued pursuant to the adjustments made in accordance with the provisions of the ESOS by-laws and any other adjustments as a result of the Proposed Bonus Issue of Shares;

THAT fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company and its shareholders;

THAT such Bonus Shares shall, upon allotment and issuance, rank equally in all respects with the existing Power Root Shares at the date of allotment of the Bonus Shares, save and except that the Bonus Shares will not be entitled to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of the Bonus Shares;

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all such acts, deeds and things and to execute, sign and deliver on behalf of the Company all necessary documents to give full effect to and for the purpose of completing and/or implementing the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by the relevant authorities or as a consequence of any such requirement as may be deemed necessary and/or expedient in the best interest of the Company.”

ORDINARY RESOLUTION 2

PROPOSED ISSUE OF UP TO 71,236,337 FREE WARRANTS IN POWER ROOT (“WARRANTS”) ON THE BASIS OF 1 WARRANT FOR EVERY 5 EXISTING POWER ROOT SHARES HELD ON THE ENTITLEMENT DATE

“**THAT** subject to the approvals of all relevant authorities or parties, authority be and is hereby given to the Board to allot and issue up to 71,236,337 Warrants, in registered form and constituted by a deed poll to be executed by the Company constituting the Warrants (“**Deed Poll**”) to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on the Entitlement Date on the basis of 1 Warrant for every 5 existing Power Root Shares held (“**Proposed Free Warrants Issue**”);

THAT the Board be and is hereby authorised to allot and issue such additional Warrants as may be required or permitted to be issued as consequences of any adjustments under the provisions in the Deed Poll (“**Additional Warrants**”);

THAT the Board be and is hereby authorised to allot and issue such appropriate number of new Power Root Shares arising from the exercise of the Warrants by the holders of the Warrants of their rights in accordance with the provisions of the Deed Poll, including such appropriate number of new Power Root Shares arising from the exercise of subscription rights represented by the Additional Warrants;

THAT fractional entitlements arising from the Proposed Free Warrants Issue, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company and its shareholders;

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll on behalf of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities or deemed necessary by the Board, and subject to all provisions and adjustments contained in the Deed Poll, to assent to any modifications and/or amendments to the exercise price, exercise period and/or number of Warrants as may be required or permitted to be revised as consequence of any adjustments under the provisions of the Deed Poll with full power to implement and give effects to the terms and conditions of the Deed Poll, and to take all steps as the Board deems fit and/or expedient in order to implement, finalise and give full effect to the Deed Poll;

THAT the new Power Root Shares to be issued arising from the exercise of the Warrants and/or the Additional Warrants shall, upon allotment and issuance, rank equally in all respects with the existing Power Root Shares, save and except that the new Power Root Shares to be issued arising from the exercise of the Warrants and/or the Additional Warrants will not be entitled to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid for where the entitlement date is before the allotment date of such new Power Root Shares;

THAT the proceeds raised from the exercise of Warrants, if any, be utilised for the purposes set out in the circular to shareholders of the Company dated 14 June 2018 and the Board be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject (when required) to the approval of the relevant authorities;

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all such acts, deeds and things and to execute, sign and deliver on behalf of the Company all necessary documents to give full effect to and for the purpose of completing and/or implementing the Proposed Free Warrants Issue with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by the relevant authorities or as a consequence of any such requirement as may be deemed necessary and/or expedient in the best interest of the Company.”

BY ORDER OF THE BOARD

ROKIAH BINTI ABDUL LATIFF (LS 0000194)
NORIAH BINTI MD YUSOF (LS 0009298)
Company Secretaries

Johor Bahru
Date: 14 June 2018

Notes:

- (1) *Only depositors whose name appears in the Record of Depositors as at 22 June 2018 shall be regarded as member of the Company entitled to attend, speak and vote at this Meeting or appoint proxy(ies) to attend, speak and vote in his stead.*
- (2) *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a proxy appointed to attend, speak and vote at a meeting shall have the same rights as the member to speak at the meeting.*
- (3) *A member may appoint not more than 2 proxies to attend and vote at the same meeting.*
- (4) *Where a member appoints 2 proxies, he shall specify the proportion of his holdings to be represented by each proxy. Otherwise, the appointment shall be invalid.*
- (5) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- (6) *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds.*
- (7) *Where a member or the authorised nominee or an exempt authorised nominee appoints 2 or more proxies, the proportion of the shareholdings to be presented by each proxy must be specified in the instrument appointing the proxies.*
- (8) *Where the Form of Proxy is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.*
- (9) *The Form of Proxy must be deposited at the Registered Office of the Company, located at 31-04, Level 31, Menara Landmark, No. 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time set for the meeting or any adjournment thereof.*



Power Root Berhad
 (Company No: 733268-U)
 (Incorporated in Malaysia)

FORM OF PROXY

I/We
 (FULL NAME AND NRIC/PASSPORT NO/COMPANY NO)

of
 (ADDRESS)

being a member/members of Power Root Berhad, hereby appoint

 (FULL NAME AND NRIC/PASSPORT NO/COMPANY NO)

of
 (ADDRESS)

or failing him/her, the Chairman of the meeting as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the **Extraordinary General Meeting** of the Company to be held at No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Darul Takzim on Friday, 29 June 2018 at 10.30 a.m. or at any adjournment thereof.

*My/our proxy/proxies is/are to vote as indicated below:

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	Proposed Bonus Issue of Shares		
2.	Proposed Free Warrants Issue		

* strike out whichever not applicable

(Please indicate with an "X" in the appropriate space above how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

Dated this _____ day of _____ 2018.

Signature / Seal of Shareholders: _____

Notes:

- (1) Only depositors whose name appears in the Record of Depositors as at 22 June 2018 shall be regarded as member of the Company entitled to attend, speak and vote at this Meeting or appoint proxy(ies) to attend, speak and vote in his stead.
- (2) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a proxy appointed to attend, speak and vote at a meeting shall have the same rights as the member to speak at the meeting.
- (3) A member may appoint not more than 2 proxies to attend and vote at the same meeting.
- (4) Where a member appoints 2 proxies, he shall specify the proportion of his holdings to be represented by each proxy. Otherwise, the appointment shall be invalid.
- (5) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (6) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds.
- (7) Where a member or the authorised nominee or an exempt authorised nominee appoints 2 or more proxies, the proportion of the shareholdings to be presented by each proxy must be specified in the instrument appointing the proxies.
- (8) Where the Form of Proxy is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.
- (9) The Form of Proxy must be deposited at the Registered Office of the Company, located at 31-04, Level 31, Menara Landmark, No. 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time set for the meeting or any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARY
POWER ROOT BERHAD (733268-U)

The Company Secretary
31-04, Level 31, Menara Landmark
No. 12 Jalan Ngee Heng
80000 Johor Bahru
Johor Darul Takzim

1st fold here
